GOLDEN VALLEY MINES LTD.

Management's Discussion and Analysis

For the year ended December 31, 2018

Dated: April 19, 2019

INTRODUCTION

The following is Management's Discussion and Analysis of the consolidated financial condition and consolidated results of operations of Golden Valley Mines Ltd. (the "**Company**" or "**Golden Valley**") for the year ended December 31, 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. This discussion and analysis should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018, and the related notes thereto. All figures are in Canadian dollars unless otherwise specified.

The technical content in this Management's Discussion & Analysis has been prepared under the supervision of Mr. Glenn J. Mullan who is a "Qualified Person" as such term is defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*. All technical disclosure regarding the Company's joint venture properties has been derived solely from the public disclosure of the Company's various joint venture partners, without independent verification.

This MD&A has been reviewed by the audit committee and approved by the Company's Board of Directors on April 19, 2019.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements. In some cases, words such as "plans", "expects", or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur, be achieved or continue, have been used to identify these forward-looking statements. These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict and are not to be interpreted as guarantees for future performance. These forward-looking statements could cause actual events or results to differ materially from those anticipated in such forward-looking statements. All forward-looking statements speak only as of the date hereof and, except as required by law, the Company does not undertake any obligation to update or publicly release any revisions to such forward-looking statements to reflect events, circumstances, or changes in expectations after the date hereof. Accordingly, readers should not place undue reliance on such forward-looking statements.

COMPANY OVERVIEW

Golden Valley is a mineral exploration company whose assets include 74 exploration properties located in the following areas: (i) the Abitibi Greenstone Belt (Ontario and Québec); (ii) the James Bay; (iii) the Nunavik (Ungava and Labrador) region of northern Québec; and (v) the James Bay Lowlands of Ontario. Refer below to “Abitibi Greenstone Belt (“AGB”) Grassroots Exploration Project” and “Option and Joint Venture Properties” for further details.

Golden Valley is the parent company of the following subsidiaries: Abitibi Royalties Inc. (“Abitibi Royalties”) and Calone Mining Ltd (“Calone Mining”). Subsidiaries have all been incorporated under the Business Corporations Act (British Columbia).

The Company’s investment in associates includes International Prospect Ventures Ltd. (“International Prospect”) and Val-d'Or Mining Corporation (“Val-d'Or Mining”.), which are involved in the process of exploring, evaluating and promoting its mineral properties and other projects.

Golden Valley’s shares trade on the TSX Venture Exchange (the “Exchange”) under the symbol “GZZ”.

The Company’s other significant assets are the shares that it holds in other mining or exploration companies, the fair market value of which has a continuing impact on the Company’s financial condition:

a) Abitibi Royalties Inc. (“Abitibi Royalties”)

As at December 31, 2018, Golden Valley holds a 44.83% equity interest in Abitibi Royalties, a company listed on the Exchange under symbol “RZZ”, that has the objective to build a premium quality royalty company by acquiring first class royalties and by exploring, evaluating and promoting its mineral properties and other projects. Abitibi Royalties owns various 1.5% to 3% Net Smelter Returns (“NSR”) and 15% Net Profit Interests (“NPI”) in areas located at the Canadian Malartic Mine, a partnership jointly operated by Agnico Eagle Mines Limited (“Agnico Eagle”) and Yamana Gold Inc. (“Yamana”).

Refer below to “Property Interests Assigned to Abitibi Royalties” for further details.

b) Val-d’Or Mining Corporation (“Val-d’Or Mining”)

As at December 31, 2018, Golden Valley holds a 24.82% equity interest in Val-d’Or Mining, a company listed on the Exchange under symbol “VZZ”, that is involved in the process of exploring, evaluating and promoting its mineral properties and whose 100%-owned assets include eleven (11) exploration properties located in the Abitibi Greenstone Belt (Québec), the Nunavik Region (Ungava Belt and Labrador Trough) in northern Québec, in north-central (James Bay) Québec. It also has an option agreement with Golden Valley to acquire a 100% interest in the Abitibi Greenstone Belt Prospect consisting of 61 grassroots properties.

As at the date of this report, Golden Valley holds a 32.56% interest in Val-d'Or Mining. Refer below to "Investment in Associates" for further details.

c) International Prospect Ventures Ltd. ("International Prospect"),

As at December 31, 2018, Golden Valley holds a 17.53% equity interest in International Prospect, a company listed on the Exchange under symbol "IZZ", that is also in the in the process of exploring, evaluating and promoting its mineral properties and whose assets include a 100% interest in the Porcupine Miracle Prospect (Ontario), and a 40% interest in the Beartooth Island Prospect (Saskatchewan).

On September 19, 2018, International Prospect was granted one exploration licence and on January 9, 2019, International Prospect was granted a further seven exploration licences in the Pilbara region in western Australia. The eight licenses cover more than 1,026 square kilometres and are proximal to and/or cover target lithologies for gold-bearing conglomerate/sedimentary rocks at the base of the Mt. Roe Basalt (2 tenements), gold-bearing Mosquito Creek and Hardey formations (4 tenements), and other prospective rocks of the Fortescue Group (2 tenements).

Refer below to "Investment in Associates" for further details.

The information detailed in this report and pertaining to Abitibi Royalties, Val-d'Or Mining and International Prospect has been extracted from the Management's Discussion and Analysis prepared by each of these companies and electronically filed with regulators, which are publicly available on SEDAR website (www.sedar.com) under their respective issuer profile.

CORPORATE STRATEGY

Golden Valley is focused on project generation and evaluates opportunities to enhance its mining exploration property portfolio. The Company typically seeks partners to fund projects by way of option and joint venture agreements. Most of the agreements allow the partner to earn into a property by incurring exploration expenditures typically over periods of three to five years. In some instances, Golden Valley acts as the operator and continues exploration on these same properties funded in advance by or recovered from the partner. Furthermore, in addition to third party disbursements for exploration funding, the Company's option agreements typically provide for receipt by Golden Valley of either cash, shares, or both from its partners as well as the retention of a free-carried interest or a net smelter royalty.

PROPERTIES AND INTEREST

The Company's exploration activities for 2018 focused primarily on managing and/or monitoring joint venture and/or option project exploration programs.

Abitibi Greenstone Belt ("AGB") Grassroots Exploration Project

The AGB properties (68), including the grassroots properties optioned to Val-d'Or Mining (as discussed below) are comprised of gold (38), copper-zinc-silver (26), nickel-copper-PGE (1), molybdenum (1) and cobalt-silver-nickel (2) prospects located in Québec (49) and Ontario (19).

Golden Valley's exploration strategy consists of a systematic approach designed to reduce grassroots exploration risk, and increase the possibility of exploration success, through the sequential exploration of a large number of grassroots properties. Preliminary fieldwork conducted over the Company's 100%-owned properties includes grid establishment, geophysical and/or geochemical surveys, prospecting, reconnaissance and grid mapping and sampling, with the objective of upgrading and advancing each property to the group of "drill-ready" prospects. This exploration pattern is consistently being repeated throughout the year as much as financial and logistical circumstances permit.

The Company's exploration work in 2018 focused primarily on the completion of regional and property compilations for exploration planning and business development purposes, project generation activities directed to identifying and evaluating new opportunities and business development purposes, and the managing and monitoring of joint venture and option project exploration activities, respectively.

Option and Joint Venture Properties

Abitibi Greenstone Belt ("AGB") Programs

a) Mining Option Agreement with Val-d'Or Mining Corporation (previously "Nunavik Nickel Mines Ltd.")

On July 17, 2017, the Company announced that the TSX Venture Exchange had issued its final acceptance of the Mining Option Agreement (the "Option Agreement") made as of April 18, 2017, pursuant to which Golden Valley had granted to Val-d'Or Mining effective July 31, 2017 an option to acquire a 100% interest in 61 of its grassroots properties.

Pursuant to the terms of the Option Agreement, Val-d'Or Mining must incur $4,000,000 of expenditures with respect to exploration and other mining operations on the properties before December 31, 2021 (with $500,000 to be incurred on or before December 31, 2018; $750,000 to be incurred on or before December 31, 2019; $1,000,000 to be incurred on or before December 31, 2020 and $1,750,000 to be incurred on or before December 31, 2021). As consideration for the option, Val-d'Or Mining will issue 16,666,668 common shares to Golden Valley at a deemed price of $0.12 per share for an aggregate deemed value of $2,000,000 (issuable as to 25% on or before each of December 31, 2018, 2019, 2020 and 2021). In addition, Val-d'Or Mining has granted Golden Valley a royalty equal to 1.25% of the net smelter returns from the properties on the terms set out in the Option Agreement. One (1) percent of the royalty may be bought back by Val-d'Or Mining by paying Golden Valley $5,000,000 at Val-d'Or Mining's option, in cash or shares at a deemed price per share equal to the market price of Val-d'Or Mining's shares at the time of such election. If Val-d'Or Mining has issued the shares and incurred the expenditures provided for in the Option Agreement, it may exercise the option on or before December 31, 2021.

Golden Valley will retain 17 of its currently held properties (in whole or in part pursuant to its interests in the various joint venture agreements it has entered into with third parties) and will continue to meet the listing requirements to be a Tier 2 mining issuer on the TSX Venture Exchange.

On January 1, 2018, Val-d'Or Mining's principal place of business became the same as Golden Valley's, which is at 2864 Chemin Sullivan, Val-d'Or, Québec, J9P 0B9. Consequently, certain general and administrative expenses including costs relating to the management of properties optioned under the Option Agreement have been assumed by Val-d'Or Mining starting in January 1, 2018.

Val-d'Or Mining also exceeded its obligation to incur $500,000 of expenditures on or before December 31, 2018 as required under the Option Agreement. Val-d'Or Mining intends to continue the earn-in process and has therefore issued, subsequent to year end, a total of 4,166,667 of its common shares, valued at $416,667, to Golden Valley pursuant to the share consideration to be received on grant of the option to Val-d'Or Mining.

Val-d'Or Mining's primary focus for the 2019 exploration program are on two prospective gold targets: the Oregon Prospect and Magoma Prospect. They are both located in the Abitibi Greenstone Belt in northwestern Québec, and within close proximity to the mining and exploration center of Val-d'Or, Québec.

a) Oregon Prospect

The Oregon Prospect covers an elongated granodiorite intrusion that dips to the northeast and lies along a northwest southeast axis. The granodiorite part of the property hosts the historic Oregon Showing (Corps Minéralisé 32/C05-0011. MRNF SIGEOM). This mineral occurrence occurs within a fracture zone that hosts a series of parallel quartz stringers mineralized with pyrite. It has been traced out by previous exploration programs over a strike length of one hundred and twenty metres. The primary metallogenic target at the Oregon Prospect is an intrusive-hosted, bulk tonnage gold deposit.

b) Magoma Prospect

The Magoma Prospect overlies the felsic volcanic rocks of the Hunter Mine Group and is situated midway between the Rouyn-Noranda and Normetal mining camps. The Magoma gold showing occurs within an extensive network of quartz veins controlled by intense shearing that cuts through tuffacaeous and porphyritic units of rhyolite. This geological setting is proximal to a fault splay from the regional gold bearing Macamic Deformation Corridor that passes through the northeast part of the property. The primary metallogenic target at the Magoma Prospect is an orogenic gold deposit spatially related to a deformation zone hosted in altered and mineralized metavolcanic rocks.

Diamond drilling activities are expected to commence on the two properties following completion of a short, follow-up program of geological mapping, prospecting and sampling. The objective of this work is two-fold: 1) ground-truthing of defined geophysical anomalies from the 2018 surveys completed by Val-d'Or Mining, and 2) complete detailed mapping and characterization of the historical mineralization, to assist with drill target selection.

Additional exploration activities have been completed or are also planned by Val-d'Or Mining on other optioned properties in order to advance them towards "drill-ready" status either internally or through a joint venture.

For additional details with respect to the exploration and field work completed to date at Val-d'Or Mining, please refer to Val-d'Or Mining's continuous disclosure documents available at the SEDAR website (www.sedar.com) by accessing Val-d'Or Mining's issuer profile).

b) Mining Option Agreement with Battery Mineral Resources - Island 27 Property, Ontario

On June 1, 2017, the Company entered into a mining option agreement with Battery Mineral Resources Limited (“Battery Minerals”) (which superceded a term sheet dated March 4, 2017), pursuant to which the Company will grant to Battery Minerals an option to acquire up to an 80% interest in the Island 27 Property, located in the Matachewan area, west of Kirkland Lake, Ontario, in consideration for which the Company will receive $500,000 in cash payments and Battery Minerals will incur $5,000,000 in expenditures over a 4 year period. Once the option is exercised, the Company will have a 20% free carried interest in the property and a 1% NSR. In 2017, the Company received a $25,000 non-refundable deposit in accordance with the term sheet, and an additional $75,000 upon execution of the option agreement, for an aggregate of $100,000 towards the $500,000 cash payment.

The Island 27 Prospect is located at the northern margin of the Cobalt Embayment and is underlain by early Proterozoic rocks which rest unconformable on Archean intrusive and metavolcanics rocks of the Superior Province. In addition, Golden Valley and Battery Minerals ground staked 12 new claims in 2017 and 73 mining cells in 2018. The Island 27 Prospect is now comprised of 233 mining cells covering an area of 4,641 hectares.

A 12-hole, 2,119.5 metre diamond drilling program was completed on the property. The primary objective of the drill program is to test the geometry and grade distribution of the mineralization discovered by Golden Valley Mines in 2008 (DDH GIS-08-04) grading 4.18% Co, 0.38% Ni and 12.1 g/t Ag over 4.0 from 110.0-114.0 m:

Selective assay intervals for GIS-08-04 are shown below:

Sample	From	To	Width (m)*	Co	Ni	Ag
331708	110.00	111.00	1.00	1.79%	0.13%	3.0 g/t
311709	111.00	111.90	0.90	4.36%	0.36%	7.0 g/t
311710	111.90	112.30	0.40	1.31%	0.11%	4.0 g/t
311711	112.30	114.00	1.70	6.33%	0.61%	22.0 g/t

**True widths have not yet been established*

In addition, a number of untested induced polarization anomalies are to be tested for possible extensions of the mineralized corridor and/or additional zones of Co-Ag-Ni mineralization.

Although no economic grade Co-Ag-Ni was intersected, a number of anomalous multi-element mineralized zones were intersected and are associated with similar fracturing and alteration observed in the original discovery hole intersection. Following completion of the diamond drill hole database, 3D modeling and a proposed follow-up drill program, a structural geological review was undertaken with SRK Consulting (“SRK”) on the historical and 2018 drill core. The objective of SRK’s work was to constrain the structural framework of cobalt mineralization and support exploration targeting. It is now understood that cobalt mineralization is hosted within breccia veins locally developed as dilational jogs along regional faults or shear zones. These breccia veins and dilational jogs will be targeted by the next drill programs.

For additional details with respect to the exploration and field work completed to date on the Island 27 project, please refer to Battery Minerals' documents available for viewing by the public through the internet at www.batterymineralresources.com.

c) Mining Option Agreement with Alexandria Minerals Corporation - Centremaque Property, Québec

On April 13, 2017, the Company entered into a mining option agreement with Alexandria Minerals Corporation ("Alexandria") on the Centremaque Prospect located in the AGB, northeast of Val-d'Or, Québec. In accordance with the option agreement, in order to acquire an 80% interest in the property, Alexandria must: (i) issue, over a four year period from the date of signing, to Golden Valley such number of common shares in its capital having an aggregate value of $250,000 based on the closing price of Alexandria's shares on the Exchange the day prior to the date of issuance of each tranche of payment shares and (ii) incur exploration expenditures in an aggregate amount of $4,000,000 over the same four year period, of which $250,000 is to be spent in the first year of the option agreement. Once the option is exercised, the Company will retain a 20% free carried interest and a 1.5% NSR, with 0.5% of the NSR being subject to a buyback in favour of Alexandria for $1 million payable to Golden Valley.

The Company received 357,143 common shares valued at $25,000 of Alexandria in May 2017 as required under the option agreement. On April 12, 2018, the Company further received 294,118 shares representing the payment of $25,000 under the mining option agreement with Alexandria Minerals.

A total of seven (7) drillholes totaling 3,348 metres were completed on the Centremaque Prospect. Three (3) new gold-bearing zones have been intersected, located approximately 2 kilometres west of the Bulldog Zone (area west of the Orenada open pit). Drillholes CAX-18-001 and CAX-18-003) intersected gold bearing hosted in brecciated, biotite and chlorite altered ultramafic volcanic rocks north of the Cadillac Break. Drillhole CAX-18-006 intersected a gold bearing zone associated with strongly altered shear zones hosted within the Pontiac sediments located south of the Cadillac Break. Presently the Company continues planning for a 2,500 metre Winter drill program to include the Centremaque Prospect.

For additional details with respect to the exploration and fieldwork programs completed to date on the Centremaque Prospect, as well as for the details on the expenditures made to date by Alexandria on the project, please refer to Alexandria's continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing Alexandria's issuer profile.

d) Mining Option Agreement with BonTerra Resources Inc. – Lac Barry, Québec

On March 16, 2016, the Company entered into an option agreement with BonTerra Resources Inc. ("BonTerra") on the Lac Barry Prospect located in the AGB, northeast of Val-d'Or, Québec. In accordance with the option agreement, BonTerra issued to Golden Valley 519,480 common shares in the capital of BonTerra having an aggregate value of $200,000, and BonTerra must incur expenditures in an aggregate amount of $2,000,000 over a three (3) year period.

Upon BonTerra exercising the option, it will obtain an 85% interest in the property and, Golden Valley will retain a 15% free carried interest and a 3% NSR, with 1% of the NSR being subject to a buyback in favour of BonTerra for $1 million payable by BonTerra to Golden Valley.

BonTerra agreed to a $250,000 work commitment in the first year. Prospecting, till sampling, line-cutting, geophysical surveys and data compilation were conducted on the property in 2016. As BonTerra did not incur $250,000 in exploration expenditures by March 15, 2017 in accordance with the terms of the option agreement, the Company agreed to extend this date to April 15, 2017, in consideration for which BonTerra paid $25,000 to the Company. Subsequent exploration activity and expenditures on the property included prospecting, till sampling/treatment, line-cutting, permitting/access, drilling/assaying, data compilation, in addition to technical support expenses.

BonTerra has met the option agreement expenditure requirements of $2,000,000 before the third anniversary date of the option agreement. Consequently, Golden Valley now retains a 15% free carried interest in the Lac Barry Prospect and a 3% NSR, with 1% of the NSR being subject to a buyback in favour of BonTerra for $1.0 million payable by BonTerra to Golden Valley.

BonTerra completed till sampling (101 samples in 2016 and 26 in 2017), prospecting, grid establishment (79 km in 2016, 26 km in 2017, 53 km in 2018), permanent and drill trail construction (13.8 km), geophysical surveying (74-line km of IP and 310 km of ground and airborne magnetic), LiDAR survey and two phases of diamond drilling programs totalling 19,936.7 metres in fifty-five (55) holes. The results of this exploration activities lead to a new discovery of a gold and silver bearing horizon termed the Temica Gold Zone, with grades up to 2.7 metres at 4.7 g/t Au as reported by BonTerra.

For additional details with respect to the exploration and fieldwork programs completed to date on the Lac Barry Prospect, as well as for the details on the expenditures made to date by BonTerra on the project, please refer to BonTerra's continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing BonTerra's issuer profile.

e) Eldorado Gold Corporation ("Eldorado") – Abitibi Greenstone Belt Joint Venture – Bogside Gold Prospect – Cadillac, Québec

In 2008, the Company earned a 70% interest in the group of nine (9) properties (8 gold and 1 copper-zinc-silver) located in the AGB (Québec and Ontario) and a joint venture ("JV") was formed with Integra. Golden Valley is the operator for the joint venture. The Bogside, Claw Lake and Cook Lake prospects are held under a 70:30 JV agreement between Golden Valley and Eldorado, with the latter having acquired their interest through the acquisition of Integra Gold Corporation.

A program of line cutting and magnetic surveying was completed over a prospective section of recently acquired ground following the claim to cell conversion process completed by the *Ministère de l'Énergie et des Ressources naturelles* (MERN).

The property lies immediately southwest of the "Larder Lake-Cadillac Break", underlain by wacke and mudstone rocks of the Pontiac Group. In the extreme northeast corner of the property, Piché Group volcanic rocks (komatiite, basalt and andesite) have been previously mapped in contact with the Pontiac

Group rocks immediately to the northeast. The western part of the property is dominated by the Heva Lake Granite that intruded the surrounding Pontiac Group strata.

Previous diamond drilling (4 DDH's) was completed on the property by Camflo Mines Ltd. (*MERN documentation technique GM 38093*) in 1980-81. Erratic gold values up to 0.23 oz/t gold over 4 feet were intersected (referred to as *"Hamel West"* showing area) at the granite-greywacke contact or within granitic dikes associated with silicification and quartz veining. The current work program encompasses the southern extension of this area of historic drilling activities.

The primary metallogenic target on the property is a large-tonnage, low grade Archean gold system, consisting of a widespread shell of disseminated gold-bearing pyrite mineralization hosted by porphyritic felsic to intermediate intrusions and altered metasediments, similar to the Canadian Malartic Mine (a partnership between Agnico Eagle Mines Ltd (50%) and Yamana Gold Inc. (50%). Proven and probable mineral reserves total 2,780 million ounces of gold (78,829,000 million tonnes at 1.10 grams/tonnes gold) on a 50% basis, as of December 31, 2018 (Agnico Eagle Mines Ltd Website).

The Bogside Prospect is subject to a 2% NSR agreement with Abitibi Royalties**.**

In addition, the joint venture completed a property-scale remote sensing study over the Claw Lake Prospect (NE Ontario – Shiningtree area) with the objectives of interpreting historical exploration results and defining targets for a follow-up ground prospecting and sampling program during the summer 2019 field season. The joint venture is also planning an exploration program over selective parts of the Cook Lake Prospect (NE Ontario – Kirkland Lake Gold Camp) targeting the historical Scott-Kirkland Gold Mines Shaft #1 where historical sampling yield results of 2.63 oz/t Au over 3 feet (Reid, A., 1929).

James Bay Properties

a) Sirios Resources Ltd. – Cheechoo Prospect

Pursuant to an agreement dated October 23, 2013, Golden Valley granted Sirios Resources Inc. ("Sirios") an option to acquire Golden Valley's remaining 55% interest in the Cheechoo prospect. Also, on October 23, 2013, Sirios abandoned the claims comprising the Cheechoo B East and Sharks property claims resulting in Golden Valley retaining a 100% interest in the Cheechoo B East and Sharks Prospects.

The option was conditional on certain obligations being fulfilled by Sirios. On May 11, 2016, Sirios provided notice to Golden Valley that it had completed all of its obligations under the agreement to earn a 100% interest in the Cheechoo prospect, including the issuance of 1,250,000 common shares to the Company at a deemed price of $0.40 per share for a total value of $500,000. As a result, Sirios now holds 100% of the Cheechoo prospect, subject to the royalty described below.

As additional consideration, Sirios granted to Golden Valley a royalty equal to 4% of the net returns from all mineral products mined or removed from the Cheechoo gold project. Notwithstanding the foregoing, the royalty relevant to gold mineral products mined or removed from the Cheechoo gold prospect may vary between 2.5% and 3.5% depending on the market price of gold at the time of the payment.

Sirios completed fifty-five (55) NQ drillholes and three (3) PQ drillholes in 2018 totalling 15,720 metres, bringing the cumulative total on the property to 198 drillholes for 50,743 metres. Exploration plans for the property for 2019 include: 1) to produce a maiden gold resource estimate as well as metallurgical testing and, 2) forty (40) drillholes for a minimum of 10,000 metres, utilizing three (3) drill rigs.

For additional details with respect to the exploration and field work completed to date on the Cheechoo gold project, as well as for the details on the expenditures made to date by Sirios on the project, please refer to Sirios' continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing Sirios' issuer profile.

Property Interests Assigned to the Reporting Subsidiaries

1) Abitibi Royalties Inc.

Abitibi Royalties' objective is to build a premium quality royalty company by acquiring first class royalties and by exploring, evaluating and promoting its mineral properties and other projects.

Golden Valley holds approximately 44.83% interest in Abitibi Royalties as at December 31, 2018.

As of the date of this Management's Discussion and Analysis ("MD&A"), Abitibi Royalties holds interests amongst others, in the following assets:

The Canadian Malartic Mine, where Abitibi Royalties owns various Net Smelter Returns ("NSR") and net profit interests ("NPI"), is jointly operated by Agnico Eagle Mines Limited ("Agnico Eagle") and Yamana Gold Inc. ("Yamana") (the "Partnership"). Abitibi Royalties' NSRs and NPIs cover portions of the Odyssey (3% NSR), East Malartic (3% NSR), Sladen (3% NSR), Sheehan (3% NSR), Jeffrey (3% NSR), Barnat Extension (3% NSR) and portions of the Gouldie (2% NSR) and all of the Charlie Zone (2% NSR). Abitibi Royalties recently acquired a 1.5% NSR on the Midway Project and a 15% NPI on the Radium Property, all operated and located at the Canadian Malartic Mine.

Malartic CHL 3% NSR Royalty - Malartic, Québec

The area covered by the 3% net smelter royalty ("NSR") is located immediately east of the current Canadian Malartic Mine open pit. The 3% NSR covers a number of known mineralized zones; the eastern part of the Barnat Extension, the Jeffrey Zone and portions of the East Malartic and Odyssey Projects. No value for accounting purposes has been assigned to the 3% NSR royalty.

Canadian Malartic 2% NSR Royalty – Malartic, Quebec

The area covered by the 2% NSR is on a single claim located just to the south of the Canadian Malartic open pit and covers the eastern portion of the Gouldie Zone and the historic Charlie Zone. Production on the 2% net smelter royalty area started in 2014 and total royalty payments of $348,795 were received. Canadian Malartic GP reported that mining at the Gouldie deposit stopped at the end of June 2015.

Royalty acquisitions in 2018

Abitibi Royalties made the following acquisitions in 2018:

		2018		2017
2% NSR - Revillard Property [a]	$	**65,750**	$	-
15% NPI - vicinity of Canadian Malartic Mine [b]		**400,000**		-
1.5% NSR - Midway Project [c]		**752,000**		-
1.5% NSR - Abitibi region, Québec [d]		**755,000**		-
1.0% NSR - New Alger Project [e]		**192,500**		
Other properties		**-**		20,978
	$	**2,165,250**	$	20,978

a) *Revillard Property 2% NSR – Malartic, Quebec*

On July 4, 2018, Abitibi Royalties entered into an agreement with an arm's length party, to acquire a 2% NSR royalty on the Revillard property for a purchase price of $65,750 (or US$50,000). The Revillard property is located approximately 10 kilometres northwest of the Canadian Malartic Mine in Québec and forms part of a larger set of claims known as the Malartic Project, which is under option by Dundee Precious Metals Inc.

b) *Radium 15% NPI – Malartic, Quebec*

On July 5, 2018, Abitibi Royalties entered into an agreement with a group of arm's length, third party sellers, to acquire a 15% carried net profit interest on the mineral claims located immediately west of the Canadian Malartic Mine open pit in Abitibi, Québec, for a purchase price of $400,000. The area covered by the 15% NPI is located immediately west of the Canadian Malartic Mine open pit. The 15% NPI covers the historic Radium Zone.

c) *Midway Project 1.5% NSR*

On July 9, 2018, Abitibi Royalties entered into an agreement with an arm's length party to acquire a 1.5% NSR royalty on an area known as the Midway project, located east and south of the Canadian Malartic Mine in Abitibi, Québec for a purchase price of $752,000 (or US$575,000). The 1.5% NSR covers a number of known mineralized zones; Piche-Harvey, Briar and Chabela. A total of 1.0% of the NSR can be repurchased by the Canadian Malartic Mine by paying US$1.0 million to Abitibi Royalties.

d) *1.5% NSR in the Abitibi region, Québec*

On July 11, 2018, Abitibi Royalties entered into an agreement with an arm's length party seller, in order to acquire various 1.5% NSR royalties on projects owned by Agnico Eagle throughout the Abitibi region in Québec for a purchase price of $755,000 (or US$575,000).

e) <u>1.0% NSR on the New Alger Project</u>

On November 18, 2018, Abitibi Royalties entered into an agreement with Renforth Resources ("Renforth") to acquire a 1.0% NSR on the New Alger Project which is 100% owned by Renforth and adjoins Agnico Eagle LaRonde Mine. The 1.0% NSR is on the New Alger Project, which contains the historic Thompson-Cadillac Mine (mined on a limited basis from 1929-1939), located in the Abitibi region of northwest Québec. The purchase price paid by Abitibi Royalties for the 1% NSR totalled $192,500.

<u>Abitibi Royalty Search</u>

In 2015, Abitibi Royalties launched the "Abitibi Royalty Search", by which it would reimburse renewal fees on existing claims or staking fees on new claims and will receive in exchange a net smelter return royalty. The program offers mining companies and prospectors an alternative to dropping potentially interesting claims or projects due to a lack of funds. Projects have to meet specific criteria to be eligible, such as being located close to an existing mine, having good geology and showing signs of mineralization through previous exploration.

Since launching the program, Abitibi Royalties invested a total of $194,376 in 13 projects located in Canada, in the provinces of Ontario, Québec and Saskatchewan, and in the Republic of Turkey. These amounts were expensed in the corresponding years because Abitibi Royalties does not expect to receive royalty income in the foreseeable future.

Investment in Associates

International Prospect Ventures (formerly "Uranium Valley Mines Ltd.")

In October 26, 2017, Uranium Valley changed its name to International Prospect Ventures Ltd. In addition, International Prospect received acceptance for its common shares to graduate from NEX and commenced trading on Tier 2 of the TSX Venture Exchange under the trading symbol "IZZ".

Golden Valley holds approximately 17.53% interest in International Prospect as at December 31, 2018 and as of the date of this MD&A.

International Prospect is involved in the process of exploring, evaluating and promoting its mineral property interest. It owns a 100% interest in the Porcupine Miracle Prospect consisting of four mineral claims located in Langmuir Township in Ontario; a 40% interest in the Beartooth Island Prospect located in the Athabasca Basin in Saskatchewan, which is the subject of an agreement with Ditem Explorations Inc ("Ditem") and of which Ditem is the operator; and a 100% interest in the Otish and Mistassini Prospects located in the North central region of Quebec.

<u>The Porcupine Miracle Prospect</u>

International Prospect owns a 100% interest in the Porcupine Miracle Prospect, located in Langmuir Township, northern-eastern Ontario Timmins-Porcupine district. Subsequent to the mining claim to cell claim conversion process completed by the Ontario government in 2018, the property now consists of 9 claim cells (1 single cell and 8 boundary cell claims), covering an area of 64 hectares. The property is subject to a royalty in favour of 2973090 Canada Inc, a company controlled by the president, equal to 3% of net smelter returns. In addition, advance royalty payments of $10,000 per annum is payable by International Prospect; the advance royalty payments will be deducted from the amounts payable under the royalty.

International Prospect has completed a Phase I property-scale ground magnetic, induced polarization (IP) and Horizontal Loop Electromagnetic (HLEM) geophysical surveying. A follow-up Phase II program of prospecting, mapping, bedrock stripping, sampling and diamond drill is recommended. The property is available for option and International Prospect is actively seeking joint venture partners.

A NI-43-101 Technical report on the property was completed in 2018.

Projects in the Pilbara Craton, Western Australia

On September 21, 2017, International Prospect entered into an agreement with Valroc PTY Ltd. ("Valroc"), a New South Wales company, located in Australia, pursuant to which International Prospect and Valroc will jointly acquire certain mining claims located in Western Australia, each with an undivided 50% interest. Valroc will be responsible for arranging to have had the claims acquired, registered and held in good standing. International Prospect will pay all of the costs of acquiring the claims, and other related costs including the costs of initial technical compilations and program reviews up to a maximum of $120,000 to allow International Prospect and Valroc to consider establishing a proper joint venture arrangement on or around December 31, 2017.

On December 12, 2017, International Prospect and Valroc entered into a binding share exchange agreement ("Valroc agreement") to acquire 100% interest in Valroc. Pursuant to the terms of the Valroc agreement, the owner of Valroc will exchange with International Prospect all of the issued and outstanding shares of Valroc for 1,600,000 common shares of International Prospect on the terms and conditions set forth in the Valroc agreement and Valroc will become a wholly owned subsidiary of International Prospect such that International Prospect will then own a 100% interest in the tenements upon the applications for such tenements being granted. Completion of the transactions contemplated by the Valroc agreement is conditional on the applications for the tenements being granted and acceptance by the TSX Venture Exchange.

International Prospect has made application for rights to eight tenements totalling more than 1,026 square kilometres in the Marble Bar and Nullagine districts of Western Australia where new conglomerate-hosted gold discoveries have been made, led by Novo Resources Corp. The tenements have been recommended for grant by the Western Australian Department of Mines and are now going through Aboriginal title process. International Prospect has signed three agreements with Aboriginal groups as part of this process and is awaiting their formal approval and grant of the tenements. International Prospect is conducting a review of historical work and planning its initial field exploration program.

On September 19, 2018, International Prospect was granted one exploration licence and on January 9, 2019, International Prospect was granted the remaining seven exploration licences. Furthermore, on January 31, 2019, pursuant to the binding share exchange agreement entered by International Prospect and Valroc in December 12, 2017, the owner of Valroc has exchanged with International Prospect all of the issued and outstanding shares of Valroc for 1,600,000 common shares of the International Prospect on the terms and conditions set forth in the Valroc agreement. Valroc is now a wholly owned subsidiary of International Prospect such that International Prospect now owns a 100% interest in the eight tenements.

Over the next 12 months, International Prospect plans to implement a $1,000,000 exploration program consisting of data review and compilation (ongoing), remote sensing, and interpretation and targeting, followed by the implementation of prospecting, geological mapping, soil and stream sediment sample surveys, surface geophysics, trenching (bulk sampling), and diamond drilling.

For additional details with respect to the exploration and field work completed to date at International Prospect, please refer to International Prospect’s continuous disclosure documents available at the SEDAR website (www.sedar.com) by accessing International Prospect’s issuer profile).

Further discussion and analysis of the financial condition and results of operations of International Prospect for the year ended December 31, 2018, is included in International Prospect’s Management’s Discussion and Analysis, which has been electronically filed with regulators by International Prospect and is available for viewing at the SEDAR website (www.sedar.com) under International Prospect’s issuer profile.

Val-d’Or Mining Corporation (formerly “Nunavik Nickel Mines Ltd.”)

On July 28, 2017, Nunavik Nickel Mines Ltd., changed its name to Val-d’Or Mining Corporation.

Effective August 1, 2017, the common shares of Val-d'Or Mining began to trade on the TSX Venture Exchange under the symbol “MZZ”, and the common shares of Nunavik Nickel Mines Ltd. trading under “KZZ” were delisted. Effective November 9, 2018, Val-d'Or Mining‘s common shares commenced trading on the TSX Venture Exchange under a new stock trading symbol 'VZZ'.

Golden Valley holds an approximate 24.82% interest in Val-d’Or Mining as at December 31, 2018 and 32.56% as of the date of this MD&A. The increase in ownership interest subsequent to year end is due to Golden Valley having received 4,166,667 common shares from Val-d’Or Mining as share consideration for the grant of the mining option agreement as discussed above.

In addition to the AGB grassroots properties optioned from the Company, Val-d’Or Mining is involved in the process of exploring, evaluating and promoting its mineral property interest and holds interests in the following assets:

a) The Boston Bulldog Prospect is comprised of 15 claim cells (14 single cell and 1 boundary cell claim) located in Kirkland Lake, Ontario. Val-d’Or Mining was granted an option to acquire a 100% interest in the property. An exploration program for the property is currently at the planning stage.

b) The Chibougamau-Chapais Prospect consists of a single property, comprised of one claim covering an area of some 55.62 hectares, located in the Chibougamau area in north-central Québec. Presently no immediate exploration fieldwork is planned on the property.

c) The Shoot-Out Prospect is the combination of two properties, Shoot-Out East and Shoot-Out West. The property consists of 154 claims (6,251 ha) located in the Raglan Belt of northern Québec. Val-d’Or Mining has a 100% ownership interest in this property that is subject to a 3% NSR. Presently no immediate exploration fieldwork is planned on the property.

d) The Fortin Prospect is located in the central part of Ducros Township, located approximately 80 kilometres northeast of the City of Val-d'Or, Québec. The property consists of 5 contiguous mining claims, which Val-d’Or Mining holds a 100% interest in this property that is subject to a 1.5% NSR. Presently no immediate exploration fieldwork is planned on the property; and,

e) The Marymac Prospect is located in the Labrador Trough of Québec. The property consists of 22 Map Designated Units, which Val-d’Or Mining holds a 100% interest in the Marymac Prospect that is subject to a 2% NSR. Presently no immediate exploration fieldwork is planned on the property.

For additional details with respect to the exploration and field work completed to date at Val-d’Or Mining, please refer to Val-d’Or Mining’s continuous disclosure documents available at the SEDAR website (www.sedar.com) by accessing Val-d’Or Mining’s issuer profile).

Further discussion and analysis of the financial condition and results of operations of Val-d’Or Mining for the year ended December 31, 2018, is included in Val-d’Or Mining’s Management’s Discussion and Analysis, which has been electronically filed with regulators by Val-d’Or Mining and is available at the SEDAR website (www.sedar.com) under Val-d’Or Mining’s issuer profile.

SELECTED INFORMATION

This table represents selected information for the Company and its subsidiaries for the years ended December 31, 2018, 2017 and 2016:

		2018		2017		2016
Total Revenue	**$**	**363,633**	$	307,384	$	342,966
Net income (loss) and total comprehensive income (loss)		**(7,456,692)**		(3,013,527)		9,454,688
Net income (loss) and total comprehensive income (loss) attributable to shareholders of Golden Valley Mines Ltd.		**(5,021,676)**		(2,604,943)		3,340,426
Net income (loss) and total comprehensive income (loss) attributable to the non-controlling interest		**(2,435,016)**		(408,584)		6,114,262
Basic earnings (loss) per share ($)	**$**	**(0.038)**	$	(0.02)	$	0.03
Diluted earnings (loss) per share		**(0.038)**		(0.02)		0.03
Total Assets	**$**	**41,066,815**	$	47,684,383	$	46,736,978
Total Liabilities		**4,604,430**		5,503,446		4,635,744

International Prospect Ventures Ltd and Val-d'Or Mining Corporation

Golden Valley is the parent company of the following subsidiaries: Abitibi Royalties Inc. ("Abitibi Royalties") and Calone Mining Ltd ("Calone Mining"). The consolidated financial statements for 2018 include the accounts of Golden Valley and its subsidiaries.

In prior years, Golden Valley had control over Val-d'Or Mining and International Prospect and were considered subsidiaries of Golden Valley, resulting in both companies being consolidated to the financial results of Golden Valley. As a result of transactions in 2017, along with other factors as detailed in Note 4 of the audited consolidated financial statements of Golden Valley for the year ended December 31, 2017, the Company reviewed the criteria for previously consolidating International Prospect and Val-d'Or Mining and determined it no longer controlled both companies but just had "significant influence". Consequently, effective May 2017 and November 2017, for financial reporting purposes, the Company deconsolidated International Prospect and Val-d'Or Mining, respectively. Thereafter, the Company's investment in International Prospect and Val-d'Or Mining were accounted using the equity method. Comparative figures for the years ended December 31, 2017 and 2016 were not restated. Refer to "Supplementary Information on Operating Results" for further details.

Discussion on Consolidated Financial Results

For the year ended December 31, 2018, the Company reported consolidated net loss of $7,456,692 (or $0.038 loss per share) compared to a net loss of $3,013,527 (or $0.021 loss per share) for the same period in 2017. The increase in net loss for 2018 is mainly from royalty expense of $2,165,250 (2017 -$20,978) in Abitibi Royalties' acquisition of four NSRs and one NPI as discussed above and the unfavourable change in the fair value of investments at $3,158,213 (2017- favourable change of $1,730,882), mainly from the decrease of $754,659 (2017- $475,532) in the market value of Company's marketable securities and from the decrease of $3,359,702 (2017- increase of $1,182,474) in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana since the beginning of the year, net of increase of $558,610 (2017 - $148,425) in the fair value of derivative instruments held by Abitibi Royalties.

Total Assets decreased from $47,684,383 as at December 31, 2017 to $41,066,815 as at December 31, 2018 as a result of the decrease of $3,359,703 in the fair market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana that occurred since the beginning of 2018. The common shares of Agnico Eagle and Yamana have decreased from a share price of $58.04 and $3.92 as at December 31, 2017 to a share price of $55.10 and $3.21 as at December 31, 2018, respectively.

Total Liabilities also decreased from $5,503,446 as at December 31, 2017 to $4,604,430 as at December 31, 2018 due to decrease of $2,050,054 in the deferred tax liabilities, net of an increase of $1,167,738 associated with Abitibi Royalties' derivative financial instrument. Deferred tax liabilities have decreased from $3,482,519 as at December 31, 2017 to $1,432,465 as at December 31, 2018, due to the deferred tax effect of the decrease in market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana and an increase in non-capital losses at Abitibi Royalties. The liability associated with Abitibi Royalties' derivative financial instruments has increased from $1,428,140 as at December 31, 2017 to $2,595,878 as at December 31, 2018 as a result of entering into covered call option contracts for $2,277,130, net of a fair value increase of $558,610.

OUTLOOK

The Company is evaluating certain strategic business opportunities in the exploration/mining industry. A number of internal reviews and assessments have been completed, or are in progress, for distressed companies and assets, both in Canada and abroad. Additionally, various property submittals are routinely considered for acquisitions.

Furthermore, the general public market volatility that has continued to affect the overall state of the exploration industry has offered Golden Valley new opportunities for its project generation ("PGEN") activities, where previously the demand for prospective land was at a much more competitive state. One of the Company's most important attributes is its ability to identify new high priority exploration opportunities and flexibility to adapt quickly to changing market conditions in base, precious and energy minerals. The Company routinely assesses government data and/or historical work reports together with proprietary data to acquire prospective mining claims. The past results of this grassroots exploration generative business model have led to the identification of several new mineral discoveries (Co-Ag-Ni, Ni-Cu-PGE and Au-VMS) in the Abitibi Greenstone Belt on 100%-owned properties; it has also assisted the Company in the successful creation of several option/joint venture agreements allowing for diamond drilling, in particular on those projects on which reconnaissance work has already been completed to identify prospective drill targets (such as the Island 27 Prospect near Matachewan, Ontario for Co-Ni-Ag; the Centremaque Prospect near Val-d'Or and the Lac Barry Prospect NE of Val-d'Or, the latter two properties primarily for gold). In this manner, the Company remains focused on its core business of early-stage acquisitions, PGEN and drill target definition, while working with its public subsidiaries and arms-length joint venture partners to conduct the more expensive and detailed drill-based exploration programs.

SUPPLEMENTARY INFORMATION ON OPERATING RESULTS

The following table presents supplementary information for the year ended December 31, 2018:

For the year ended December 31, 2018	Golden Valley	Abitibi Royalties	Calone Mining	Total
Revenues				
Dividends	-	314,202	-	**314,202**
Geological fees	9,521	-	-	**9,521**
Option revenue	25,000	-	-	**25,000**
Royalties	-	14,910	-	**14,910**
	34,521	329,112	-	**363,633**
Operating Expenses				
Royalty purchases	-	2,165,250	-	**2,165,250**
Salaries and other employee benefits	284,588	1,588,463	-	**1,873,051**
Share-based compensation	770,888	260,903	-	**1,031,791**
Professional and legal fees	248,495	598,720	1,692	**848,907**
General and administrative expenses	165,303	222,948	87	**388,338**
Management fees	214,013	-	-	**214,013**
Exploration and evaluation	96,725	-	-	**96,725**
Impairment of exploration and evaluation assets	33,795	39,352	-	**73,147**
Depreciation of property and equipment	5,117	-	-	**5,117**
	1,818,924	4,875,636	1,779	**6,696,339**
Operating loss	(1,784,403)	(4,546,524)	(1,779)	**(6,332,706)**
Other income (loss)				
Change in fair value of investments	(754,659)	(2,403,554)	-	**(3,158,213)**
Finance income	7,855	14,439	-	**22,294**
Finance cost	(2,196)	(87,740)	(112)	**(90,048)**
Foreign exchange gain	-	196,834	-	**196,834**
Gain on settlement of debt	39,000	-	-	**39,000**
Share of loss in associates	(183,907)	-	-	**(183,907)**
	(893,907)	(2,280,021)	(112)	**(3,174,040)**
Net loss before income taxes	(2,678,310)	(6,826,545)	(1,891)	**(9,506,746)**
Deferred tax recovery	-	2,050,054	-	**2,050,054**
Net loss and comprehensive loss for the year	(2,678,310)	(4,776,491)	(1,891)	**(7,456,692)**

The following table presents supplementary information for the year ended December 31, 2017:

For the year ended December 31, 2017	Golden Valley	Abitibi Royalties	Calone Mining	Val-d'Or Mining	International Prospect	Other	Total
Revenues							
Dividends	-	265,368	-	-	-	-	**265,368**
Option revenue	25,000	-	-	-	-	-	**25,000**
Management fees	96,000	-	-	-	-	(96,000)	**-**
Geological fees	14,959	-	-	-	-	-	**14,959**
Royalties	-	2,057	-	-	-	-	**2,057**
	135,959	267,425				(96,000)	**307,384**
Operating Expenses							
Share-based compensation	1,248,057	541,418	-	-	-	-	**1,789,475**
Salaries and other employee benefits	380,945	1,386,899	-	-	-	-	**1,767,844**
Professional and legal fees	469,947	427,442	1,420	124,136	86,113	-	**1,109,058**
Impairment of exploration and evaluation assets	508,276	-	-	52,666	-	-	**560,942**
General and administrative expenses	326,395	97,927	86	13,771	7,058	-	**445,237**
Management fees	224,370	96,000	-	-	-	(96,000)	**224,370**
Bad debt expense	32,752	-	-	-	-	-	**32,752**
Exploration and evaluation	30,201	279	267	448	(2,857)	-	**28,338**
Royalty purchase	-	20,978	-	-	-	-	**20,978**
Depreciation of property and equipment	3,018	-	-	-	-	-	**3,018**
	3,223,961	2,570,943	1,773	191,021	90,314	(96,000)	**5,982,012**
Operating loss	(3,088,002)	(2,303,518)	(1,773)	(191,021)	(90,314)		**(5,674,628)**
Other income (loss)							
Change in fair value of investments	(420,302)	2,151,184	-	-	-	-	**1,730,882**
Gain from loss of control of subsidiary	934,204	-	-	-	-	-	**934,204**
Settlement fee	120,000	-	-	-	-	-	**120,000**
Reversal of liability of flow-through shares	-	-	-	-	19,941	-	**19,941**
Finance income	192	10,360	-	-	-	-	**10,552**
Finance cost	(2,753)	(75,226)	(170)	(413)	(241)	-	**(78,803)**
Foreign exchange gain (loss)	-	(322,819)	-	44	-	-	**(322,775)**
Share of loss of associates	(96,803)	-	-	-	-	-	**(96,803)**
	534,538	1,763,499	(170)	(369)	19,700		**2,317,198**
Net loss before income taxes	(2,553,464)	(540,019)	(1,943)	(191,390)	(70,614)		**(3,357,430)**
Deferred tax recovery	-	(343,903)	-	-	-	-	**(343,903)**
Net loss and total comprehensive loss for the year	(2,553,464)	(196,116)	(1,943)	(191,390)	(70,614)		**(3,013,527)**

DISCUSSION AND RESULTS OF OPERATIONS

General

At Golden Valley, the overall decrease in operating expenses for 2018, as compared to 2017, are a result of changes in the operations of Golden Valley that came into effect on January 1, 2018. Specifically, with an effective date of January 1, 2018, the Company entered into a Termination Agreement with Val-d'Or Mining and International Prospect under which the Company agreed to terminate the Management Agreement in exchange for a settlement fee of $60,000 payable by each company as consideration for the failure of each company to pay the management fees since the date of suspension of the respective Management Agreement. Consequently, pursuant to the termination, administrative, management and financial services such as office space, administrative support previously provided by Golden Valley has been assumed by each company. In addition, as a result of the operations of Val-d'Or Mining being conducted by Golden Valley's employees under the mining option agreement with Val-d'Or Mining, certain administrative, management and financial services previously incurred by Golden Valley have either been recovered from or have been directly assumed by Val-d'Or Mining. For further details on the settlement fee, refer to Note 24 of the audited consolidated financial statements of Golden Valley for the year ended December 31, 2017.

Furthermore, for fiscal 2017, International Prospect and Val-d'Or Mining were considered to be subsidiaries of Golden Valley Mines up to May 2017 and November 2017, respectively. Golden Valley's consolidated financial results for the periods up to those dates include operating expenses from International Prospect and Val-d'Or Mining. For fiscal 2018, Val-d'Or Mining and International Prospect were considered to be investments in associates, which have been equity accounted since the beginning of 2018.

Revenues

For the year ended December 31, 2018, the Company recognized consolidated revenues of $363,633 compared to $307,834 for the same period in 2017. Consolidated revenues for 2018 mainly consisted of dividends of $314,202 (2017 -$265,368) and royalties of $14,910 (2017 - $2,057) from Abitibi Royalties; geological fees of $9,521 (2017 - $14,959) and mining option revenues of $25,000 (2017 -$25,000) from the Company's mining option agreement.

Abitibi Royalties received dividend income of $314,202 for 2018 compared to $265,368 for 2017 from its investment in the common shares of Agnico Eagle and Yamana. The increase in dividend revenue is a result of higher number of Agnico Eagle shares as Abitibi Royalties purchased 35,600 shares of Agnico Eagle under its put contracts in November 2018 and the strengthening of the US dollar relative to the Canadian dollars as the dividends are received in US dollars.

In addition, production commenced at the end of 2018 in the area covered by the Abitibi Royalties' 3% NSR at the Canadian Malartic Mine near Val-d'Or Québec. The initial contribution from the royalty amounted to $14,105 (or US$10,339). Subsequent to year end, Abitibi Royalties earned and received royalties for the three months ended March 31, 2019 in the amount of US$291,198.

Operating Expenses

For the year ended December 31, 2018, the Company recognized consolidated operating expenses of $6,696,339 compared to $5,982,012 for the same period in 2017. The increase in operating expenses is primarily due to the royalty expense of $2,165,250 relating to the NSR and NPI interests acquired by Abitibi Royalties in 2018. Other significant variances in operating expenses are as follows:

- Salaries and other employee benefit expense for 2018 of $1,873,041 was higher compared to $1,767,844 for 2017 as Abitibi Royalties incurred payroll levies of $471,820, representing Abitibi Royalties' contributions to mandatory governmental benefits plans on employment income arising from the exercise of stock options and the conversion of the RSU into common shares in connection with the June 2018 transaction with Caisse de dépôt et placement du Québec ("CDPQ") as described below.

- Shares-based compensation expense for 2018 of $1,031,791 includes the amount of $623,720 (2017 – $1,211,139) from Golden Valley's September 2016 grant of 9,305,934 common shares at an exercise price of $0.35 per share, which vest equally over a period of 3 years, that is allocated to 2018. Share-based compensation expense for 2018 also includes $260,903 (2017 - $541,418) for restricted share units granted in 2016 to Abitibi Royalties' officers, directors and consultants.

- Professional and legal fees, which comprised of audit, tax and accounting fees, legal fees, investor relations fees, and other consultation fees have decreased to $848,907 for 2018 from $1,109,058 for 2017. Professional and legal fees for 2017 includes $86,112 and $124,136 from International Prospect and Val-d'Or Mining, which were deconsolidated for financial reporting purposes effective May 2017 and November 2017, respectively.

- General and Administrative expenses, which consist of office expenses, advertising, exhibitions and travelling have also decreased to $388,338 for 2018 compared to $477,989 for 2017. Decreases in Office expenses were offset by higher advertising and exhibition expenses as the Company continues to actively search for new business opportunities and ways to enhance shareholder value via participation in different trade shows, corporate venues, and participation on occasional trade missions while conducting due diligence on many properties and corporate transactions, and more actively assisting its subsidiaries and associates in enhancing their own corporate development in Canada and internationally.

- Loss on impairment of exploration and evaluation assets has decreased substantially to $73,147 for 2018 to $560,942 for 2017. In 2017, the loss on impairment of exploration and evaluation assets of $560,942 includes an impairment loss of $52,666 on Val-d'Or Mining's Boston Bulldog Prospect and of $508,276 on AGB prospects where the Company was not planning any work in the near future.

Other Income (loss)

For the year ended December 31, 2018, the Company recognized consolidated other loss of $3,174,040 compared to consolidated other income of $2,317,198 for the same period in 2017.

Other loss for 2018 includes an unfavourable change in fair value of investment of $3,158,213 compared to favourable change of $1,730,882 for the same period in 2017. The unfavourable change in fair value of investments in 2018 primarily relates to the unrealized losses of $3,359,702 on the fair market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana, net of unrealized gains of $558,610 in the fair value of the liability associated with its derivative instruments. In addition, the Company has unrealized losses of $754,659 on its marketable securities representing shares of publicly traded mining exploration companies.

Other loss in 2018 is also net of foreign exchange gains of $196,834 compared to foreign exchange losses of $322,775 for 2017. Abitibi Royalties is subject to fluctuations in the exchange rate with the US Dollar as the liability related to its derivative instruments are in US dollars. In addition, as at December 31, 2018, cash on hand included US$553,504 (2017 - US$2,856,594), representing $755,090 (2017 - $3,583,597) of the total cash on hand of $1,689,511 (2017 - $5,066,212). As at December 31, 2018, a fluctuation of 1% in the U.S dollar value relative to the Canadian dollar has an impact of $5,535 (2017 - $28,566) on the Company's cash on hand.

The share of loss from investments in associates for 2018 amounted to $183,907 compared to $96,803 as 2018 is the first full year in which International Prospect and Val-d'Or Mining have been accounted under equity method.

Other income in 2017 included a gain of $934,204 resulting from the loss of control in International Prospect and Val-d'Or Mining, former subsidiaries of Golden Valley and a settlement fee income of $120,000 from the termination of the Management Services Agreement with International Prospect and Val-d'Or Mining.

Deferred Taxes

For the year ended December 31, 2018, the Company recognized consolidated deferred tax recovery of $2,050,054 compared to deferred tax recovery of $343,903 for the same period in 2017.

The increase in deferred tax recovery for 2018 mainly relates to (a) Abitibi Royalties recognizing unrealized losses of $3,359,702 in its investments in the common shares of Agnico Eagle and Yamana; Deferred income tax is impacted by the change in the fair value as the tax cost on these investments is insignificant compared to the market value of those common shares; (b) the increase in Abitibi Royalties' non-capital losses of $2,107,701 relating to the conversion of the restricted share units ("RSUs") into 583,365 common shares; and (c) the increase in the temporary difference between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes on Abitibi Royalties' exploration and evaluation expenditures as a result of the royalty purchases of $2,165,250 in 2018.

FINANCIAL CONDITION REVIEW

	Golden Valley (1)	Abitibi Royalties	Calone Mining	As at December 31, 2018	As at December 31, 2017
Current Assets					
Cash and cash equivalents	$ 551,262	$ 1,689,511	$ 223	$ **2,240,996**	$ 5,073,071
Restricted cash	-	-	-	**-**	545,052
Short-term financial assets	610,228	-	-	**610,228**	1,819,888
Other assets	19,949	55,435	8	**75,392**	411,734
Prepaid expenses	10,145	12,000	-	**22,145**	23,955
Non-current assets					-
Property and equipment	4,580	-	-	**4,580**	9,697
Investments in associates	1,558,410	-	-	**1,558,410**	1,136,651
Exploration and evaluation assets	2,231,238	-	-	**2,231,238**	2,568,816
Investments	-	34,323,826	-	**34,323,826**	36,095,519
Total Assets	4,985,812	36,080,772	231	**41,066,815**	47,684,383
Current liabilities				**-**	
Accounts payable and accrued liabilities	143,874	432,038	175	**576,087**	592,787
Derivative financial instruments	-	2,595,878	-	**2,595,878**	1,428,140
Non-current liabilities					-
Deferred taxes	-	1,432,465	-	**1,432,465**	3,482,519
Total Liabilities	143,874	4,460,381	175	**4,604,430**	5,503,446

Note (1): Golden Valley's 44.83% equity interest in Abitibi Royalties, a subsidiary of the Company, is eliminated for financial reporting purposes of the supplementary consolidated financial information.

Cash and cash equivalents

The Company ended 2018 with cash and cash equivalents of $2,240,996 compared to $5,073,071 in 2017. The Company holds cash balances in both Canadian and U.S. dollars.

Restricted cash

Restricted cash of $545,052 (or US$434,477) as at December 31, 2017 relates to funds held as collateral on the put option contracts of 65,100 shares of Agnico Eagle referred to in the *Derivatives Financial Instruments* section below. The funds become unrestricted once the put option contracts are exercised, repurchased or expired. As at December 31, 2018, Abitibi Royalties had no restricted cash as there were no outstanding put option contracts.

Short-term financial assets

The Company held publicly traded securities comprised of common shares of third party optionees issued to the Company in accordance with the terms of certain property option agreements having a market value of $609,374 as at December 31, 2018, compared to $1,339,034 as at December 31, 2017.

Other assets

Other assets of $75,392 mainly comprised of sales taxes recoverable of $34,028 (2017 - $41,950), dividends receivable of $23,000 (2017 – $22,000) from Abitibi Royalties' investments in Agnico Eagle and Yamana shares, and a royalty receivable of $14,105 (2017 - $nil) from Abitibi Royalties' 3% NSR at the Canadian Malartic Mine.

Investment in Associates

The investments in associates relate to the Company's investments in International Prospect and Val-d'Or Mining. The Company's ownership in International Prospect has increased from 16.62% as at December 31, 2017 to 17.53% as at December 31, 2018. Similarly, the Company's ownership in Val-d'Or Mining has slightly increased from 24.63% as at December 31, 2017 to 24.82% interest as at December 31, 2018.

The Company's ownership interest has increased as result of the shares received from the termination agreement. Val-d'Or Mining and International Prospects owed $90,000 and $60,000, respectively, mainly relating to the settlement fee under the terms of a termination agreement entered into effective January 1, 2018 with each company. For further details, refer to Note 24 of the audited consolidated financial statements for the year ended December 31, 2017. On April 6, 2018, Val-d'Or Mining announced that, subject to acceptance by the TSX Venture Exchange (the "Exchange") and with the intent of preserving its cash resources for operations, it proposed issuing 857,142 common shares at a deemed per share price of $0.105 in settlement of an aggregate of $90,000 in accrued debt owing to the Company. Of the debt to the Company, $30,000 is an outstanding loan and $60,000 relates to a settlement fee under the terms of a termination agreement. On April 30, 2018, the Exchange accepted the shares for debt submission. Similarly, on April 6, 2018, International Prospect announced that, subject to acceptance by the Exchange and with the intent of preserving its cash resources for operations, it proposed issuing 300,000 common shares at a deemed per share price of $0.20 in settlement of $60,000 in accrued debt owing to the Company. On April 19, 2018, the Exchange accepted the shares for debt submission.

The Company has accounted for its investment in International Prospect and Val-d'Or Mining using the equity method starting in May 23, 2017 and November 30, 2017, respectively. For the year ended December 31, 2018, the Company recognized a loss of $183,907 from its share in associates, compared to $96,803 for the same period in 2017. The Company has no contingent liabilities relating to its interest in the associates.

Exploration and evaluation assets

Exploration and evaluation assets totaled $2,231,238 as at December 31, 2018 compared to $2,568,816 as at December 31, 2017. The decrease in Exploration and evaluation assets relates to the share consideration of 4,166,667 common shares, with a fair value of $416,667, received from Val-d'Or Mining, which has been offset against the carrying value of properties optioned to Val-d'Or Mining, net of additions of $168,467.

The Company’s consolidated exploration and evaluation assets consist of projects and interest as follows:

		Properites optioned to Val-d'Or Mining	Properties optioned to Eldorado Gold	Properties optioned to Battery Minerals	Properties optioned to BonTerra Resources	Properties optioned to Alexandria Minerals	Other		Balance at December 31, 2018
Abitibi Greenstone Belt ("AGB")									
Chibougamau (Québec)	$	82,089	-	-	-	-	1,459	$	**83,548**
Matachewan, Kirkland Lake (Ontario)		1,037,226	-	323,375	-	-	5,690		**1,366,291**
Matagami (Québec)		16,412	-	-	-	-	-		**16,412**
Rouyn-Noranda-Cadillac (Québec)		74,670	-	-	-	-	8,737		**83,407**
Val d'Or - Malartic (Québec)		324,804	146,302	-	-	7,495	31,503		**510,104**
Lebel-sur-Quevillon (Québec)		6,521	-	-	359,307	-	8		**365,836**
Rouyn-Noranda-Cadillac (Québec)		-	168,030	-	-	-	-		**168,030**
Kirkland Lake / Matachewan (Ontario)		-	802,350	-	-	-	-		**802,350**
Total AGB		1,541,722	1,116,682	323,375	359,307	7,495	47,397		**3,395,978**
James Bay (Québec)		-	-	-	-	-	31,267		**31,267**
Nunavik (Ungava-Labrador)		-	-	-	-	-	150		**150**
Total other		-	-	-	-	-	31,417		**31,417**
Total investment tax credit									**(1,196,157)**
Golden Valley Mines Ltd.									**2,231,238**
Abitibi Royalties Inc.									**-**
Balance, end of the year								$	**2,231,238**

Golden Valley’s Abitibi Greenstone Belt Grassroots exploration projects comprising of gold, copper-zinc-silver, nickel-copper-PGE, molybdenum and cobalt-silver-nickel prospects located in Québec and Ontario, with a carrying amount of $2,199,821 as at December 31, 2018 (2017 - $2,498,047). Other projects located in Québec and Ontario have a carrying value of $31,417 as at December 31, 2018 (2017 - $31,417). The Company has optioned exploration properties to Val-d’Or Mining, Battery Minerals, Alexandria in 2017, BonTerra in 2016, Sirios in 2013 and Integra in 2005.

Abitibi Royalties’100% interest in the Luc Bourdon Prospect located in the lowland region of James Bay, Ontario, with a carrying amount of $39,252 as at December 31, 2017 was impaired in 2018 as Abitibi Royalties was not planning any work in the near future on this prospect.

Investments

	As at December 31, 2018		As at December 31, 2017	
	Number of Shares	Fair Value	Number of Shares	Fair Value
Yamana Gold Inc.	**3,549,695**	**$ 11,394,521**	3,549,695	$ 13,914,804
Agnico Eagle Mines Limited	**414,597**	**22,844,295**	378,997	21,996,986
		$ 34,238,816		$ 35,911,790
Other investments		**85,010**		183,729
		$ 34,323,826		$ 36,095,519

In January 2017, Abitibi Royalties was called to deliver 108,700 shares of Agnico Eagle (43,600 at US$45 per share and 65,100 at US$40 per share) and received, net of commission paid, $6,071,202 (or US$4,564,813) from the covered call options it had sold.

In February 2017, Abitibi Royalties announced that it would look to reacquire the shares, if possible, through put contracts at prices below what they were sold. To date, Abitibi Royalties reacquired 79,100 common shares of Agnico Eagle (43,500 common shares at US$44.00 per share totaling $2,456,986 (or US$1,914,435) in December 2017 and 35,600 common shares at US$39.00 per share for a total of $1,826,301 (or US$1,388,400) in November 2018).

No put contracts are currently outstanding. For further details, refer to *Derivative financial instruments* section.

As at the date of this report, Abitibi Royalties holds 3,549,695 shares of Yamana and 414,597 shares of Agnico Eagle.

Derivative Financial Instruments

The status of the call option contracts as at April 19, 2019 is presented in the table below:

	Price in US Dollars	Number of Shares	Options Expiry Date	% of shares held
Yamana Gold	$ 3.50	546,000	January 17, 2020	15.38%
	$ 4.00	1,575,400	January 17, 2020	44.38%
	$ 4.00	313,300	January 15, 2021	8.83%
	$ 4.50	267,700	January 17, 2020	7.54%
	$ 5.00	761,500	January 17, 2020	21.45%
	$ 5.00	19,800	January 15, 2021	0.56%
	$ 5.50	61,400	January 17, 2020	1.73%
		3,545,100		99.87%

	Price in US Dollars	Number of Shares	Options Expiry Date	% of shares held
Agnico Eagle	$ 42	7,600	January 15, 2021	1.83%
	$ 43	31,000	January 17, 2020	7.48%
	$ 47	4,000	January 17, 2020	0.96%
	$ 50	5,000	May 17, 2019	1.21%
	$ 50	251,200	January 17, 2020	60.59%
	$ 50	36,500	January 15, 2021	8.80%
	$ 55	30,000	January 17, 2020	7.24%
	$ 60	33,900	January 17, 2020	8.18%
	$ 65	7,400	January 17, 2020	1.78%
		406,600		98.07%

For fiscal year 2018, Abitibi Royalties sold 36,630 calls and 1,302 put option contracts (5,009 calls and 1,302 puts on Agnico Eagle shares and 31,621 calls on Yamana shares) for total cash proceeds of $2,219,843 (or US$1,713,731). Abitibi Royalties also repurchased 21,416 options contracts (3,601 call options and 651 put options on Agnico Eagle and 17,164 call options on Yamana) before expiration at a total cost of $89,080 (or US$68,698). In addition, 19,873 options contracts expired (1,024 call options and 946 put options on Agnico Eagle and 17,903 call options on Yamana).

For fiscal year 2017, Abitibi Royalties sold 38,905 calls and 5,865 put option contracts (5,276 calls and 5,865 puts on Agnico Eagle shares and 33,629 calls on Yamana shares) for total cash proceeds of $1,928,103 (or US$1,498,229). In addition, 16,381 option contracts (588 calls and 4,128 puts on Agnico Eagle and 11,665 calls on Yamana) expired for an amount of $488,662 (or US$371,739) and 5,978 option contracts (1,850 calls and 651 puts on Agnico Eagle and 3,477 calls on Yamana) were repurchased before expiration for an amount of $200,786 (or US$161,561).

Abitibi Royalties only sells call options when it owns the underlying shares. Should covered calls be sold, it is Abitibi Royalties' objective to use strike prices that are anticipated to be well above the share price of Agnico Eagle and Yamana at the time the contract is written, with contracts generally expiring between 1 month and 2 years. Abitibi Royalties only writes put contracts when it has the required funds (in the currency which the contract was written) to purchase the underlying shares should the put contract be exercised.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of $576,087 (2017 - $592,787) include an amount of $381,850 (2017 - $284,578) due to officers, consultants and directors in Abitibi Royalties for one pay period salaries and consulting fees, 2018 performance bonuses and fourth quarter 2018 director fees.

Deferred tax liability

The deferred tax liability totaled $1,432,465 as at December 31, 2018 compared to $3,482,519 as at December 31, 2017. The deferred tax liability consists of the potential tax liability of $3,898,056 on the capital gain to be realized on the eventual sale of Abitibi Royalties' investments in the common shares of

Agnico Eagle and Yamana, net of the following: (a) tax reduction of $1,433,943 from operating losses realized in the current and prior years; and (b) $687,695 and $343,953 in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes for exploration and evaluation expenditures and derivative financial instruments, respectively.

Equity

Share capital issued from exercise of incentive stock options

For the year ended December 31, 2018, the Company issued 1,480,000 of its common shares from the exercise of incentive stock options of 1,300,000 at a price of $0.07 per share and 180,000 at a price of $0.17 per share for a total consideration of $121,600.

For the year ended December 31, 2017, the Company issued 1,435,000 of its common shares from the exercise of incentive stock options at prices ranging from $0.07 to $0.17 for a total consideration of $150,650.

Share capital issued from exercise of share purchase warrants

For the year ended December 31 2018, the Company issued 2,650,000 of its common shares from the exercise of 2,650,000 share purchase warrants at $0.14 per share for a total consideration of $371,000.

For the year ended December 31, 2017, the Company issued 12,250,000 of its common shares from the exercise of 12,250,000 share purchase warrants for a total consideration of $1,715,000.

SUMMARY OF QUARTERLY RESULTS

The following selected financial information is for the 8 most recently completed quarters as derived from the Company's respective financial statements and notes thereto. The following information should be read in conjunction with the referenced financial statements, the notes to those statements and "Results of Operations" herein.

	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17	Mar-17
Total revenues ($)	100,308	78,552	105,450	79,324	19,311	70,201	125,080	92,792
Net income (loss) and total comprehensive income (loss) for the period ($)	2,070,974	(9,173,837)	2,419,475	(2,773,304)	1,506,461	(1,854,520)	(1,653,527)	(1,011,941)
Net income (loss) and total comprehensive income (loss) attributable to shareholders of Golden Valley ($)	654,757	(4,587,186)	700,530	(1,789,777)	717,526	(1,561,757)	(1,061,126)	(699,586)
Net income (loss) and total comprehensive income (loss) attributable to the non-controlling interest ($)	1,416,217	(4,586,651)	1,718,945	(983,527)	788,935	(292,763)	(592,401)	(312,355)
Net earnings (loss) per share ($)								
Basic	0.015	(0.034)	0.005	(0.014)	0.006	(0.012)	(0.009)	(0.006)
Diluted	0.015	(0.034)	0.005	(0.014)	0.006	(0.012)	(0.009)	(0.006)

- For the three months ended December 31, 2018, the Company reported consolidated net income of $2,070,974 compared to a net income of $1,506,461 for the same period in 2017. The net income for the three months ended December 31, 2018 is mainly from the increase of $4,400,722 in the market value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana, net of royalty expense of $192,500 relating to the NSR acquired by Abitibi Royalties in November 2018 and of unrealized losses of $991,499 in the fair value of the liability associated with its derivative instruments

- For the three months ended September 30, 2018, the Company reported consolidated net loss of $9,173,837 compared to a net loss of $1,854,520 for the same period in 2017. The net loss for the three months ended September 30, 2018 is mainly from the unfavourable change in the fair value of Abitibi Royalties' investments in the common shares of Agnico Eagle and Yamana in the amount of $8,286,116 and royalty expense of $1,972,750 relating to the NSR and NPI interests acquired by Abitibi Royalties in July 2018, net of deferred tax recovery of $1,681,377.

- For the three months ended June 30, 2018, the Company reported a consolidated net income of $2,419,475 compared to a net loss of $1,653,527 for the same period in 2017, respectively. The improved results for the three months ended June 30, 2018 is due to the favourable change in fair value of investments of $3,654,659, which substantially relates to the change in fair value of Abitibi Royalties' investments and derivative instruments in the common shares of Agnico Eagle Mines and Yamana, offset by higher salaries and employee benefits expense from payroll levies associated with the exercise of stock options and conversion of the RSUs into common shares on the transaction with CDPQ and by higher share-based compensation from the Company's September 2016 incentive stock option grant, which fair value is allocated over the vesting period of three years.

- For the three months ended March 31, 2018, the Company reported a consolidated net loss of $2,773,304 compared to a net loss of $1,011,941 for the same period in 2017. The increase in loss in the first quarter of 2018 is due to the unfavourable change in fair value of investments of $2,317,012 which substantially relates to the change in fair value of Abitibi Royalties' investments and derivative instruments in the common shares of Agnico Eagle and Yamana in the amount of $2,031,247.

- For the three months ended December 31, 2017, the Company recognized consolidated net income of $1,506,461, resulting from the $2,801,666 change in fair value of investments and a gain of $483,292 recognized on loss of control of Val-d'Or Mining, net of impairment loss of $560,942 on exploration and evaluation assets and bonuses of $297,250.

- For the three months ended September 30, 2017, the Company recognized consolidated net loss of $1,854,520, resulting mainly from higher share-based compensation recognized in the current quarter of $1,347,606. Shares-based compensation expense includes the amount of $1,211,139 from Golden Valley's September 2016 grant of 9,305,934 common shares at an exercise price of $0.35 per share, which vest equally over a period of 3 years, that is allocated for the three months ended September 30, 2017.

- For the three months ended June 30, 2017, the Company reported consolidated net loss of $1,653,527, resulting mainly from the $1,316,028 decrease in fair value of the investment in the common shares of Agnico Eagle and Yamana held by Abitibi Royalties, net of deferred tax recovery of $250,675.

- For the three months ended March 31, 2017, the Company reported consolidated net loss of $1,011,941, resulting mainly from salaries and other employee benefits of $789,375 and professional and legal fees of $274, net of deferred tax recovery of $241,002.

EXPLORATION ACTIVITIES

Total investments in exploration and evaluation assets decreased from $2,568,816 to $2,231,238 as at December 31, 2018. The decrease in Exploration and evaluation assets primarily relates to the amount of $416,667 from the 4,166,667 common shares received from the Option Agreement with Val-d'Or Mining, which share consideration received has been offset against the carrying value of prospects optioned to Val-d'Or Mining.

The Company's and the Reporting Subsidiaries' property interests in Québec, Ontario and Saskatchewan are considered to be prospective for precious metals (i.e. gold, silver and platinum group metals), base-metals (i.e. nickel, copper, zinc, and cobalt), and energy minerals (i.e. uranium).

Exploration expenditures were allocated primarily to the following activities: (i) regional and property compilation maps for exploration planning and business development purposes; (ii) project generation activities, directed at identifying and evaluating new opportunities; and (iii) managing and monitoring of joint venture and option project exploration activities respectively.

The primary focus for the Company's project generation activities was in the AGB region of Québec and Ontario. Over the course of the year additional mining claims were re-staked on five (5) existing properties totaling 99 claims, covering 2,353 hectares.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated total assets of the Company as at December 31, 2018 totaled $41,066,815 (2017- $47,684,383), which included cash and cash equivalents of $2,240,996 (2017 - $5,073,071), short-term financial assets consisting of guaranteed investment certificates and marketable securities totaling $610,228 (2017 - $1,819,888) and long-term investments mainly consisting of common shares in Agnico Eagle and Yamana totaling $34,323,826 (2017 - $36,095,519).

Cash outflow used by operating activities, excluding changes in non-cash consolidated working capital, for the year ended December 31, 2018 totaled $5,007,255 compared to $3,437,434 for the same period in 2017. The increase in cash outflows is primarily due to royalty expense of $2,165,250 relating to the NSR and NPI interests acquired by Abitibi Royalties in 2018, and higher salaries and other employee benefits due to the payroll levies remitted by Abitibi Royalties on the exercise of stock options and conversion of the RSUs into common shares as part of CDPQ transaction.

Investing activities resulted in net cash outflows of $1,367,282 for the year ended December 31, 2018, compared with cash inflows of $3,603,541 for the same period in 2017. The cash outflows for 2018 was the result of Abitibi Royalties being called to purchase 35,600 common shares of Agnico Eagle for $1,686,728 from a put option, at U$39 per share, it had previously sold. In 2017, cash inflows were the result of Abitibi Royalties having delivered 108,700 common shares of Agnico Eagle and received, net of commission paid, $6,096,765 (or US$4,564,813) from the covered call contract it had sold, offset by the Company buying back 43,500 shares of Agnico Eagle for $2,456,428 (or US$1,914,435).

Financing activities resulted in net cash inflows of $3,456,770 for the year ended December 31, 2018 compared with cash inflows of $2,480,415 for the same period in 2017. Cash flows from financing activities relate primarily to Abitibi Royalties' sale of calls and put option contracts for total cash proceeds of $2,065,795, and proceeds of $371,000 from the exercise of 2,650,000 share purchase warrants at $0.14 per share at Golden Valley.

CAPITAL STOCK INFORMATION

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in one or more series with restrictions as determined by the Company's Board of Directors. The holders of the common shares of the Company are entitled to vote at all shareholder meetings and to receive such dividends as the Board of Directors of the Company in their discretion shall declare.

Issued and Outstanding

The following details the issued and outstanding securities of the Company as at April 19, 2019:

Common shares	133,918,577	Nil
Preferred shares	Nil	Nil
Warrants	Nil	Nil
Incentive stock options	14,098,189	Nil

Incentive Stock Options:

Expiry Date	Number of Options	Weighted Average Exercise Price
June 30, 2019	379,025	$ 0.17
July 24, 2020	675,000	$ 0.11
January 1, 2021	100,000	$ 0.10
June 30, 2021	2,300,000	$ 0.30
February 3, 2022	100,000	$ 0.47
September 30, 2026	8,244,164	$ 0.35
June 21, 2023	2,300,000	$ 0.28
	14,098,189	$ 0.32

CAPITAL STOCK INFORMATION OF REPORTING SUBSIDIARIES

Abitibi Royalties Inc.

Issued and Outstanding

The following details the issued and outstanding securities of Abitibi Royalties as at the date of this report:

	Total Outstanding	Escrowed
Common shares	12,493,239	Nil
Preferred shares	Nil	Nil
Warrants	Nil	Nil
Incentive stock options	81,171	Nil
Restricted share units	Nil	Nil

Incentive Stock Options

The particulars of the outstanding incentive stock options at the date of this report are as follows:

Expiry Date	Number of Options	Exercise Price	
June 2, 2019	47,733	$	2.18
September 15, 2019	13,438	$	3.62
September 17, 2019	20,000	$	3.70
	81,171	$	2.79

RELATED PARTY TRANSACTIONS

Transactions with key management

The Company's related parties include its joint key management and related companies, as described below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Other than the related party transactions disclosed below, there were no other direct transactions with related parties other than routine payments for management and exploration services and grants of stock options. Key management includes directors and senior executives.

The compensation paid to key management for employee and consulting services for Golden Valley and its subsidiaries is presented below:

	2018	2017
Short-term employee benefits		
Salaries including bonuses [1]	**$ 1,020,376**	$ 1,127,408
Benefits [2]	**560,094**	138,114
Directors' fees	**280,000**	287,661
Additional cash amounts [3]	-	84,000
Total short-term employee benefits	**1,860,470**	1,637,183
Other transactions with key management		
Rent [4]	**7,821**	19,149
Management fees [5]	**214,013**	224,370
Professional fees [6]	-	204,084
Fees relating to exploration and evaluation activities [7]	**108,343**	139,140
Total other transactions with key management	**330,177**	586,743
Share-based payments capitalized in exploration and evaluation assets	-	26,025
Share-based payments [8]	**1,009,434**	1,761,707
Total remuneration	**$ 3,200,081**	$ 4,011,658

1) Salaries including bonuses for the year ended December 31, 2018 included 2018 performance bonus of $19,125 from the Company and of $268,125 from Abitibi Royalties. Salaries including bonuses for the year ended December 31, 2017 include performance bonus of $210,750 for 2017 and performance bonus of $247,500 for 2016 paid by Abitibi Royalties in fiscal 2017.
2) Benefits are the Company's contributions to mandatory governmental benefits plans related to salaries, meetings fees and taxable benefits on exercise of incentive stock options. The amount of $560,904 for the year ended December 31, 2018, includes the Abitibi Royalties' payroll levies of $471,820 on the taxable benefits on the conversion of the RSU into common shares and the exercise of stock options relating to the transaction with CDPQ.
3) Abitibi Royalties' Board of Directors approved additional cash payments of $84,000 to its directors, chairman, president and CEO. These amounts were awarded as a substitute for stock options.
4) Rent of $nil ($12,000 in 2017) paid to 2973090 Canada Inc., a company controlled by an officer and a director of the Company and rent of $7,821 ($7,108 in 2017) paid by Abitibi Royalties to its President.
5) Management fees of $166,200 ($166,200 in 2017) plus a bonus allocation of $47,813 ($58,170 in 2017) paid to 2973090 Canada Inc. Other portion of 2017 bonus of $20,580 paid to 2973090 Canada Inc. is allocated to Fees relating to exploration and evaluation activities.
6) For fiscal year 2018, no professional fees have been paid ($60,000 in 2017) to the spouse of an officer and a director of the Company, pursuant to a consulting agreement related to corporate finance services dated January 1, 2016, ($86,004 in 2017) to the former Chief Financial Officer of Abitibi Royalties, and ($37,500 in 2017) to the Chief Financial Officer of Val d'Or Mining.
7) Exploration and evaluation fees paid to 2973090 Canada Inc and to Rosatelli Exploration Services, a company controlled by an officer of the Company.
8) Share-based compensation relating to the incentive stock option program for officers and directors of the Company.

Settlement Fee

On October 1, 2010, the Company entered into a Management and Administrative Services Agreement (the "Management Agreement") with Val-d'Or Mining and International Prospect, pursuant to which the Company will provide certain administrative, management and financial services such as office space, administrative support, including the use of Golden Valley's in house legal counsel for day to day general enquiries, services of a consultant and investors relations services to Val-d'Or Mining and International Prospect in consideration of $96,000 per year (the "Fee") from each company, payable on a monthly basis, plus applicable taxes. However, Golden Valley suspended the management fees to Val-d'Or Mining in 2012 and International Prospect in 2013 to enable the companies conserve cash for their operations. On January 1, 2018, the Company entered into a Termination Agreement with Val-d'Or Mining and International Prospect under which the Company agreed to terminate the Management Agreement, effective January 1, 2018, in exchange for a settlement fee of $60,000 payable by each company as consideration for its failure to pay the management fees since the date of suspension of the respective Management Agreements.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance-sheet arrangements.

CONTRACTUAL COMMITMENTS AND OBLIGATIONS

a) The Company was partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

   These tax rules set deadlines for carrying out the exploration work, which must be performed no later than the first of the following dates:

   - Two years following the flow-through placements;
   - One year after the Company has renounced the tax deductions relating to the exploration work.

   However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

b) The Company has entered into agreements with officers and consultants that include termination and change of control clauses. In the case of termination, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to two times) the annual base fee. In the case of a change of control, the officers and consultants are entitled to an amount equal to a multiple (ranging from one to three times) the sum of the annual base fee. As at December 31, 2018, the total annual base fee of the officers and consultants under the agreements is $635,000. As a triggering event has not taken place, the contingent payments have not been reflected in the consolidated financial statements.

c) The Company entered into an operating lease agreement expiring July 2019 with the minimum lease payment payable in the next two years amounting to $46,611 and $27,189.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Any changes in accounting policies including those that have not been adopted are explained in note 4 of the audited consolidated financial statements for the year ended December 31, 2018.

JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The judgements, estimates and assumptions used by management are described in note 5 of the audited consolidated financial statements.

NON-IFRS MEASURE

The Company has referred to consolidated working capital throughout this document. Working capital is a Non-IFRS performance measure. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. This Non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following tables provide a reconciliation of consolidated working capital to the financial statements as at December 31, 2018 and December 31, 2017:

	Golden Valley	Abitibi Royalites	Calone Mining	As at December 31, 2018	As at December 31, 2017
ASSETS					
Current					
Cash and cash equivalents	$ 551,262	$ 1,689,511	$ 223	$ 2,240,996	$ 5,073,071
Restricted cash	-	-	-	-	545,052
Short-term financial assets	610,228			610,228	1,819,888
Other assets	19,949	55,435	8	75,392	411,734
Prepaid expenses	10,145	12,000		22,145	23,955
	1,191,584	1,756,946	231	2,948,761	7,873,700
Current					
Accounts payable and accrued liabilities	$ 143,874	$ 432,038	$ 175	$ 576,087	$ 592,787
Derivative financial instruments	-	2,595,878	-	2,595,878	1,428,140
	143,874	3,027,916	175	3,171,965	2,020,927
Working Capital	$ 1,047,710	$ (1,270,970)	$ 56	$ (223,204)	5,852,773

Although Abitibi Royalties has negative working capital as at December 31, 2018, it is able to meets its obligations when due and be able to remedy the working capital deficiency through cash flow generated primarily from option premiums and royalties. In addition, Abitibi Royalties has investments in the common shares of Agnico Eagle and Yamana with a fair value of $34,323,826 as at December 31, 2018.

RISK AND UNCERTAINTIES

Investment of Speculative Nature

Investing in the Company is of a highly speculative nature.

Nature of Mineral Exploration and Mining

There is no known mineral resource on any of the Company's property interests. Mineral exploration and development involves a high degree of risk, requires substantial expenditures and few properties that are explored are ultimately developed into producing mines.

Mineral Deposits and Production Costs; Metal Prices

The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, the cost of operations, and fluctuations in the sales price of products. The value of the Company's mineral property interests is heavily influenced by metal prices. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Company's properties can be mined profitably.

Exploration and Development Risks

Resource exploration and development is a speculative business, involving considerable financial and technical risks, including the failure to discover mineral deposits, market fluctuations and government regulations, which are beyond the control of the Company.

Additional Financing

Future exploration and development activities will require additional equity and debt financing. Failure to obtain such additional financing could result in delay or indefinite postponement of exploration and development of the property interests of the Company.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental and non-governmental authorities. There can be no assurances that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations for its proposed projects.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company's, in the search for and the acquisition of attractive mineral properties. There is no assurance that the Company will continue to be able to compete successfully with the competition in acquiring such properties or prospects.

Dependence on Key Individuals

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. The Company does not maintain key-person insurance on the lives of any of its key personnel. In addition, while certain of the Company's officers and directors have experience in the exploration of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of their exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

Environmental and other Regulatory Requirements

The operations of the Company require permits from various levels of government. Such operations are subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting the Company's ability to undertake exploration and development activities in respect of present and future properties.

Currency Risk

Currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in a world market in U.S. dollars. The Company's costs are incurred primarily in Canadian dollars.

Conflicts of Interest

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company. Some of the directors and officers of the Company are also directors and officers of other companies, some of which are in the same business as Golden Valley. The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

Insurance

The Company does not have insurance to adequately protect itself against certain risks associated with mineral exploration. Even if they were to obtain insurance, the Company will remain at risk and will be potentially subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of premium costs or other reasons.

Influence of Third-Party Stakeholders

The lands in which the Company holds interests, or the exploration equipment and roads or other means of access which the Company intends to utilize in carrying out work programs or general exploration mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, the work programs of the Company may be delayed even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for the Company.

Fluctuation in Market Value of Shares

The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the entity, including the market in which it is traded, the strength of the economy in general, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The future effect of these and other factors on the market price of the Company's shares on the Exchange cannot be predicted.

Derivatives instruments

Due to the complex nature and market volatility that may influence the market value of the shares, selling of call and put options is subject to risk including limiting the potential upside gains and being obligated to purchase the underlying shares above the current market value. Although all risks cannot be eliminated, the Company is mitigating these risks by owning the underlying shares or having the cash requirement to meet its obligations.

ADDITIONAL INFORMATION

Additional information about Golden Valley Mines Ltd. may be obtained from the Company's website (www.goldenvalleymines.com) or through the SEDAR website (www.sedar.com) by accessing the Company's issuer profile.